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INFORMATION ON HUNGARY'S 1956 ECONOMIC PLAN

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In a speech at the 16 November session of the National Assembly, Andor Berei [Photo No P-64590], President of the National Planning Office, outlined Hungary's national economic plan for 1956 as follows:

The 1956 economic plan is the first step toward Hungary's Second Five-Year Plan. It was completed by the National Planning Office without waiting for the final preparation of the Second Five-Year Plan. This is the first time that an annual plan has been approved by the Council of Ministers as early as November; as a result, each enterprise and institute will have received its 1956 plan in the course of December.

The 1956 plan is based on the March 1955 and subsequent resolutions of the Central Committee of the party. These resolutions unmasked and rejected certain anti-Marxist and rightist opportunistic views which antagonized the continued expansion of heavy industry and of agricultural collectivization. The resolutions of the party clearly stated that the Marxist-Leninist tenets on the socialization of industry are fully valid in respect to Hungary, and shattered the rightist view which drew a dividing line between an increased standard of living and its prerequisites. They stated that a rise in the standard of living can be gained only by a constant increase in productivity and decline in production costs.

In 1956, the task confronting us will be to continue the building of socialism. This task can be achieved only by increasing the weight of socialized industry in the national economy and by expanding large-scale operations in agriculture.

Further progress must be made in the standard of living also during the next year. This objective can be attained by increasing the volume of products and reducing production costs only. In sum, the 1956 national economic plan envisages an increase in productivity and a reduction in costs. The resolutions of the party condemned sharply those who tolerated, or even encouraged, laxness, indiscipline, and waste and proclaimed that socialist building can be carried out only by observing discipline and economy in all economic fields. The 1956 national economic plan has been drawn up with a view to satisfying these requirements.

Results of the 1955 National Economic Plan

In preparing the plan for 1956, the results and deficiencies of the 1955 plan were closely examined, to eliminate the damages caused by rightist mistakes and to create a basis for the Second Five-Year Plan.

Production by the nationalized industry in 1955 is estimated to have exceeded production in 1954 by 8-8.5 percent. The ministerial industry, which failed to make progress in 1954, has increased its production 7.5 percent in the current year. Hungarian industry as a whole, and heavy industry in particular, demonstrated that despite existing difficulties it can produce more, better, and more cheaply.

Greater labor discipline and a new spirit in the work competition movement made a turn possible also in productivity, which is estimated to have been 6 percent higher in 1955 than in 1954. A favorable change has been noted in the development of production costs, which were approximately 3.7 percent lower this year than last.

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In agriculture, hostile elements succeeded in blocking the producer cooperative movement in 1953 and 1954. In 1955, however, largely as a result of the March and June resolutions of the party, the movement took a new departure and the arable-land holdings of producer cooperatives increased nearly 20 percent as of the end of October. It may also be noted that the national production plan for agriculture for 1955 will not only be fulfilled but will even be exceeded by one percent. It is true that weather conditions were relatively favorable this year, but the results were also due to the vigorous support which the government and the party extended to all sectors of agriculture. MTS work and the supply situation also improved considerably.

One of the most effective causes of the plan fulfillment was that the general discipline of the population improved this year in contrast to the laxness of liberalism which prevailed during the preceding 1 1/2 years. As a result, tax revenues -- without any change in the tax rates -- were 12 percent in excess of those of 1954 and the produce collection plan was fulfilled more satisfactorily than in 1954.

The national income has increased considerably in 1955, so that the investment program has been overfulfilled by approximately 800 million forints and real wages have increased approximately 4.4 percent. Improvement in the standard of living is revealed also by the 4.8-percent expansion in retail trade. All these results are due to the fact that the party conducted a vigorous fight against rightist opportunism and to the unselfish aid extended by the USSR and the other People's Republics.

The progress outlined in the foregoing should not be overestimated, however. It should be clear that these successes mean hardly more than making good for the recession which occurred after mid-1953. Nor should it be overlooked that the general plan fulfillment conceals serious deficiencies.

Fulfillment of the production plan was extremely uneven. A good many important industries failed to fulfill their production plans, particularly coal mining, which fulfilled its plan only 98.6 percent. Other important branches of industry which lag behind their production plans are the alumina, nitrogen fertilizer, and motor bicycle industries. This lag affects the country's economy very seriously.

Another important deficiency is that the majority of enterprises fulfill the bulk of their plans during the last third of the month or the last month of the quarter. During the first three quarters of the current year, for example, 55 percent of the output of the engineering industry was produced in the last third of the month, 25 percent in the second third, and only 20 percent in the first third of the month. There are even enterprises, such as the Budapest Machine Tool Factory, which produced 82 percent of their output in the last third of the month during the period July-October, with 13 percent in the second third, and only 5 percent in the first third of the month. Thus, scheduled production has been largely neglected. Numerous enterprises, and even entire industries, while fulfilling their over-all production plans, failed to adhere to time schedules.

The most serious deficiency in 1955, namely, the nonfulfillment of the foreign trade plan, must also be brought out into the open. The 1955 plan called for a heavy increase in exports, both to friendly and capitalistic countries. However, while imports exceeded the figures laid down in the plan, the export plan has not been fulfilled, even though 1955 exports showed an increase over 1954. It is vitally important that imports should be curtailed and exports increased in 1956, enabling the government to accumulate a reserve in foreign exchange. The composition of the foreign trade must also be changed so as to make trade with the capitalistic countries more profitable.

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Tasks of the 1956 National Economic Plan

The basic tasks of the 1956 national economic plan may be summarized as follows:

1. There must be continued consolidation and expansion of the socialized sector. In agriculture, the area farmed by producer cooperatives should be increased by the voluntary action of independent peasants. The relative share of the socialized sector in the national income will be increased. This ratio is scheduled to rise to 74.5 percent in 1956, as against 73 percent achieved in 1955.
2. Further expansion of heavy industry forms an important part of the 1956 plan. In 1956, production by heavy industry should account for 46.5 percent of the production of the entire nationalized industry.
3. Agricultural production should increase 3 percent in value over 1955. The plan also calls for an increase of 7.5 percent in produce collection and 10.1 percent in the production of the food industry.
4. There should be an active trade balance, both with friendly and capitalistic countries. To achieve this, export merchandise must be produced both by industry and agriculture by the stipulated target dates and in conformity with specifications. On the other hand, the volume of imports must definitely be reduced.
5. Technology must be improved in 1956, partly by better utilization of existing equipment, partly by the introduction of new equipment, and partly by the production of more valuable merchandise. As a result, productivity in the ministerial industries must be stepped up by 4.8 percent.
6. Economy in production must be increased. By savings in materials used, the production cost in the ministerial industries must be curtailed by 3 percent.
7. A larger part of the national income will be devoted to a greater expansion of fixed capital in 1956 than in 1955. While the national income is estimated to increase 6.2 percent, appropriations for investments will be stepped up 30 percent over 1955. A large increase in investments should serve as a prerequisite for the expansion of production in the course of the Second Five-Year Plan.
8. That part of the national income which is devoted to consumption will be raised. Increases in the wages of building workers and in the income of peasants should enable these strata of the population to have an income commensurate with the increase in production.
9. Finally, an important task of the 1956 plan is continued development of economic and technical cooperation with the friendly countries. Hungary endeavors to create in the socialist camp an international division of labor which should enable the individual countries to expand their production in the most economical way. Agreements with the friendly nations will enable Hungary to manufacture certain products in large series for export to them.

Breakdown of the 1956 Plan by Branch of Economy

For the socialized industry, the most important sector of the national economy, the plan provides for a 6-percent increase in production. The increase is small but it requires a very great effort. First of all, structural changes must be made in industry. During the last 2 years, light industry has

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made greater progress than heavy industry and the development of the local and cooperative industries has exceeded that of the ministerial industries. The 1956 plan marks a turn in favor of the ministerial industries as a whole and heavy industry in particular. Production, as compared with 1955, will be increased 6.8 percent in the ministerial industries and only 1.6 percent in the local and cooperative industries. Heavy industry will increase its production 10.1 percent, while production of light industry will be reduced by 3.8 percent.

The increase in the production of heavy industry will serve to supply the other branches of the national economy with a satisfactory volume of means of production, to step up exports, and to satisfy the demand of the general population for iron and metal goods. The reduction in the production of light industry is justified, first of all, because the export of such goods failed to prove profitable. Also, large quantities of wearing apparel and other consumer goods are currently available.

Fulfillment of the production plan of heavy industry requires particularly great efforts, because the raw materials must be supplied largely by domestic sources. For this reason, special attention will be devoted in 1956 to the expansion of industries whose function is to supply raw materials and semifinished products.

Coal production will be increased 7-8 percent. Within coal mining as a whole, the ratio of anthracite and the average calorific value will also be stepped up. Production of coking coal will be increased 18 percent and the use of the millisecond-blasting method 21 percent over 1955.

Petroleum production will be increased 6.6 percent, drilling activity in the petroleum fields 40 percent, alumina production 15.6 percent, and aluminum ingot production 10.8 percent. The opening up of the Gyongyosoroszi ore mine and ore reduction plant will result in large-scale production of powdered lead and, consequently, in a substantial curtailment of nonferrous metal imports.

The plan also provides for a heavy increase in the production of concrete and reinforced concrete, which, among other products, are used as substitutes for certain scarce wood products. The domestic raw-material supply of metallurgy will be expanded. Production of iron ore, for example, will be increased approximately 12 percent, and after the opening of the Sztalinvaros ore reduction plant additional economies in imported materials will be made. Production of metallurgical coke, after the completion of the Sztalinvaros coking plant, will be increased 200 percent. The second blast furnace at Sztalinvaros will also be placed in operation during 1956. As a result of these developments, rolled-steel production will be increased 5.7 percent. Electric power production will be increased 8.7 percent, that is, at a greater rate than industrial production as a whole.

The plan provides for an 11.9-percent increase in machine production. Since metallurgical production will show a much smaller gain, the raw-material problem of the engineering industry can be solved only by increased economy and a reduction in the weight of products. In general, the development of the engineering industry in 1956 will be marked by (1) a large increase in improved models suitable for export, including telecommunication equipment, special instruments, and agricultural machinery, and (2) a solution of the problem of spare-part production.

Series production of the 600-horsepower diesel-electric locomotive for export and of milling and welding machines will be begun, the prototype of the 2,000-horsepower diesel locomotive will be completed, and a large number of television sets will be produced.

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Among all branches of industry, the chemical industry will show the largest increase in production, namely, 13.8 percent over 1955. Production of nitrogen fertilizer will be increased 200 percent. In the food industry the plan provides for a production increase of 10.1 percent.

Throughout industry, the plan requires considerable advance in technology and the introduction of modern production methods. As a result, it is estimated that productivity will be increased 4.8 percent, with the greatest increase, 8.7 percent, to take place in the engineering industry.

#### The 1956 Plan for Agriculture

Food consumption is increasing rapidly and measures must be taken to satisfy demand from domestic sources, because large-scale importation of bread grains and fodder, as was the case this year, cannot be continued. The plan envisages a 3-percent increase in agricultural production in 1956 as compared with 1955. Even at this rate of increase, demand will not be satisfied. For this reason an increase of 150,000 cadastral yokes (one cadastral yoke equals 1.42 acres) in the area devoted to bread grain production will be necessary. On the other hand, the rice-producing area will be reduced by 7,500 cadastral yokes because of the exhaustion of part of the land which has been planted in rice for several years without interruption.

The development of Hungary's animal husbandry is based on domestic fodder production exclusively. Accordingly, the area devoted to the production of rough fodder will be increased by 160,000 cadastral yokes, while the area planted in corn will remain at the present high level. Concomitantly, the cow stock will be increased from 880,000 to 915,000 and the sheep stock by 200,000, while the horse stock and the unwarrantedly high pig stock will be somewhat reduced.

The 1956 plan places special emphasis on the continued expansion of the socialized sector of agriculture. Accordingly, the crop yields of state farms and producer cooperatives will be substantially higher than those of independent peasants. Under the plan, 1956 deliveries by the state farms will exceed those made in 1955 as follows: 7.9 percent in bread grains, 39 percent in slaughter cattle, 28 percent in poultry, and 20 percent in milk.

The 1956 plan provides for increased state support for the producer cooperatives. They will increase their investments 21 percent over 1955 and will, in addition, receive 50 percent more medium- and short-term credits. The independent peasants will also receive substantial aid from the state in 1956, so that they may be able to exploit their production potential as much as possible.

In 1956, agriculture will receive machinery representing 673 million forints in value, including 304 harvester-threshing combines, 1,500 cultivators, and 3,759 [sic] tractors. This additional machine stock will enable the MTS to increase their work performance by 12 percent. The volume of artificial fertilizer available to agriculture in 1956 will amount to 384,500 tons, with particularly large increases in allotments to state farms and producer cooperatives. These will receive 133 kilograms and 71 kilograms, respectively, per cadastral yoke.

In recent years, only initial successes have been achieved in agriculture; however, the 1956 plan creates the prerequisites for continued development. The volume of produce collection by state organs will rise to the equivalent of 727,000 carloads of wheat, as compared with 676,000 carloads in 1955. The bulk of the increase will be represented by meat, milk, and egg deliveries. The increase will be achieved exclusively by the expansion of contractual production and free purchases. The ratio of free purchases to total produce collection will increase from 31 percent in 1955 to 40 percent in 1956 and will result in a considerably larger income for the growers.

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Because of the rise in industrial and agricultural production, freight transportation in 1956 will be increased 4.7 percent over 1955. Since the bulk of freight is being carried by the railroads, the plan provides, first of all, for an expansion of railroad facilities.

In 1956, a total of 440 kilometers of rail will be replaced, as compared with 300 kilometers in 1955 and 182 kilometers in 1954. The rolling stock will be increased by 55 new locomotives, including 20 diesel and 5 electric locomotives; 85 new passenger cars; and 1,100 new freight cars. In highway transportation 1,680 new trucks will be placed in operation. City transportation, especially in Budapest, will be improved by the addition of 284 new buses, 90 new electric motor coaches, and 15 new trolley buses.

In the field of telecommunication, preparations for the introduction of television will be stepped up, so that the 12-kilowatt transmitter may begin operations in 1957.

#### Allocations for Investments

A total of 12,204,000,000 forints has been allocated for investments in 1956, representing a 30-percent increase over the 1955 plan. In addition, it is estimated that investments by cooperatives, towns, and private individuals will amount to another one billion forints. The 1956 investment allocations determine to a considerable degree the pattern of production during the entire period of the Second Five-Year Plan. Hence, the 1956 investment plans were prepared with the aims of the Second Five-Year Plan in mind, that is, with special emphasis on further expansion of heavy industry and of the domestic raw material supply. Investments in heavy industry in particular have been stepped up and will amount to 4,580,000,000 forints, or 39 percent of total investments, as compared with 3,460,000,000 forints in 1955. Increases will also be heavy in investments calculated to expand raw-material and energy resources and to provide a large volume of means of production for agriculture.

Investments in mining will account for one ninth of total investments. Investments in metallurgy will be increased approximately 43 percent and those in the building materials industry, 62 percent, over 1955. Investments in the electric power industry will amount to 1.1 billion forints, that is, approximately 50 percent more than in 1955.

In the course of 1956 a number of large investment projects will be started, designed for the processing of domestic raw materials. These include the Tiszamenti Vegyiművek (Tisza Bank Chemical Works), which will begin production of synthetic chemicals, plastic materials, and nitrogen fertilizer in 1959; an oil cracking plant at Szony; a straw cellulose factory at Sztalinvaros, which will begin production in 1958 with an annual capacity of 20,000 tons of cellulose; and a new large power plant at Pecsujhely; while construction of the Tiszapalkonya electric power works will be continued. Construction of the first Hungarian atom reactor will also be begun in 1956, and it is expected that the foundation of the first Hungarian atomic power plant will be laid during the Second Five-Year Plan.

The 1956 investment program provides investments in the engineering industry in the amount of 758 million forints, or twice as much as in 1955. Within this total, investments in the weak-current industry will amount to 95 million forints.

Allocations from state resources for agricultural investments will total 2.2 billion forints, or 18 percent of total investments. The bulk of these investments will be used for the strengthening of the socialized sector of agriculture, with 697 million forints allotted to state farms, 409 million

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forints to MTS, and 332 million forints to producer cooperatives. Investments amounting to 412 million forints in 1956, earmarked for water economy, which has been extremely neglected in recent years, will also serve mostly agricultural purposes.

Investments in warehouse construction will be increased considerably and will amount to 228 million forints in 1956. Investments in transportation will total 1,148,000,000 forints, or 46 percent more than in 1955. This will be only the first step toward the reconstruction of the transportation system on a large scale.

Nearly one fifth of total investments in 1956 has been allocated to housing construction and communal, social, and cultural purposes. The largest increase in these allocations has been made for housing construction from state means. These allocations represent increases of 70 percent for the country as a whole and 120 percent for Budapest alone. Investments in labor-safety installations will total 170 million forints in 1956.

Allocations for renovation purposes, from both budgetary and enterprise resources, total 5,326,000,000 forints, or 19.2 percent more than in 1955. The amount to be spent on the renovation of enterprise property will be four times as great as in the first year of the First Five-Year Plan. Allocations for the renovation of the railroads and of housing (the latter increased 27 percent over 1955) have been stepped up considerably. All these investments will result in a 23.1-percent rise in the production of the building industry.

Although a much larger proportion of the national income will be devoted to an increase in the fixed capital in 1956 than in 1955, the standard of living of the population will be improved by stepping up the volume of consumer goods by 3 billion forints, or 4.7 percent, over 1955. This increase will permit the elimination of certain disproportions in the wage system and the introduction of incentive wages, with a concomitant rise in the income of the population. As a result, it is estimated that retail trade will show an increase of 4.1 percent, including a 10-percent increase in the sale of meat products.

During 1956, a total of 1,655 additional hospital beds, 600 new school-rooms, 50 new movie theaters, and 19 new culture homes will be made available to the population.

Next year will mark another step forward in the vast economic transformation which has been in progress in Hungary since the liberation. In 1956, electric power consumption will be 4 1/2 times and rolled-steel production over 2 1/2 times as much per capita as in 1938. Fertilizer consumption per cadastral yoke will be over five times as much as before the liberation, and pre-capita sugar consumption will be double that of 1938. The population will buy six times as many radios, the number of movie-goers will be six times as great, and the number of university students 3 1/2 times as large as in 1938.

The economic progress which Hungary has made in recent years may be measured by a comparison of plan data for 1956 with actual figures of 1950, the first year of the First Five-Year Plan. Some important data follow (the first figure in parentheses represents 1950 per-capita data, the second figure indicates per-capita estimate for 1956): electric power production (319 kilowatt-hours, 588 kilowatt-hours), rolled-steel production (54 kilograms, 93 kilograms), petroleum production (54 kilograms, 176 kilograms), aluminum production (1.8 kilograms, 4.1 kilograms), and cement production (86 kilograms, 126 kilograms). Consumption of artificial fertilizer will increase from 19.5 kilograms per cadastral yoke in 1950 to 38 kilograms in 1956.

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